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E.O. 11652: N/A

TAGS: EAGR, CA

SUBJECT: US-CANADIAN TALKS ON MEAT

1. BEGIN SUMMARY. CANADIAN AND US DELEGATIONS, HEADED
RESPECTIVELY BY ASST. DEP. MINISTER BURNES AND DEP.
ASSISTANT SECY KATZ, SPENT FIVE HOURS NOVEMBER 27 DIS-
CUSSING CIRCUMSTANCES SURROUNDING RECENT ACTIONS BY BOTH
SIDES IN IMPOSING QUOTAS ON CERTAIN MEAT AND LIVESTOCK
ITEMS. NO OFFER OF ADJUSTMENT IN QUOTAS WAS MADE BY
EITHER SIDE. BOTH MAINTAINED THEIR ACTIONS JUSTIFIABLE
UNDER THE GATT AND MAINTAINED THAT OTHER SIDE HAD NOT MET
GATT CRITERIA, HOWEVER, CANADIANS SHOWED NO INCLINATION
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TO MOVE ISSUE TO FORMAL GATT PROCEDURES OTHER THAN CURRENT

ARTICLE XXII (1) CONSULTATIONS. IT WAS AGREED THAT INFORMATION EXCHANGE SHOULD BE SYSTEMATIZED AND THAT A FURTHER CONSULTATION OF POLICY OFFICIALS FROM THE TWO SIDES WOULD BE DESIRABLE WITHIN A FEW WEEKS. CANADIANS ALSO ISSUED WARNING ABOUT POSSIBLE FURTHER COUNTER-ACTION IF AND WHEN US QUOTAS ON PORK AND HOGS WERE FILLED. END SUMMARY.

2. BURNS OPENED DISCUSSION BY EMPHASIZING THREE POINTS:

(A) CANADIAN ACTION FULLY IN ACCORD WITH GATT OBLIGATIONS, AND BELATED ARTICLE 19 NOTIFICATION IN NO WAY LESSENED FACT THAT CANADIANS HAD SOLID ARTICLE 19 CASE; (B) CANADIAN SIDE HAD DOUBTS AS TO WHETHER US ACTION MET GATT CRITERIA--US HAD NOT FOLLOWED ARTICLE 19 PROCEDURES, SPECIFICALLY NOTIFICATION PROCEDURES; (C) SCOPE OF US ACTION WAS UNWARRANTED. IN CALCULATING DAMAGE TO US EXPORTS, US HAD TAKEN HIGHEST POSSIBLE EXPORT YEAR, AND THERE WAS NO EVIDENCE THAT US EXPORTS TO CANADA WOULD HAVE CONTINUED AT THIS LEVEL. FURTHERMORE, EXPANSION OF RESTRICTIONS TO HOGS AND PORK WAS VIEWED BY CANADIAN SIDE AS AN ESCALATION, AND IF US BORDER EVENTUALLY CLOSED TO IMPORTS OF CANADIAN PORK AND HOGS, IT WOULD BE SEEN AS AN EXTRAORDINARILY UNBALANCED SITUATION WHICH WOULD REQUIRE REDRESS.

3. KATZ REPLIED THAT US SIDE DISAGREED WITH CANADIANS ON ALL OF ABOVE POINTS. THE CANADIAN ACTION WAS NOT IN ACCORDANCE WITH GATT PROCEDURES--THERE HAD BEEN NO CONSULTATION AND THE CANADIAN ACTION WAS EXCESSIVE IN TERMS OF ARTICLE 19, AS WAS EVIDENCED BY FACT THAT CURRENT MARKET PRICES IN CANADA WERE WELL ABOVE CANADIAN SUPPORT PRICE. BASE PERIOD CHOSEN BY US AMPLY JUSTIFIED BY PRECEDENT, AND WE DISPUTED CANADIAN ASSERTION THAT PERIOD CHOSEN WAS NOT A NORMAL PERIOD. US NOT LIMITED BY GATT TO CONFINING ITS RETALIATION TO BEEF AND CATTLE; ITS ACTION IN ANY CASE WAS INTENDED TO OBTAIN REMOVAL OF CANADIAN RESTRICTIONS, NOT WIDEN AREA OF DISPUTE.

4. BOTH SIDES REVIEWED CURRENT CATTLE AND BEEF SITUATION IN THEIR COUNTRIES, WITH US EMPHASIZING THAT BUILDUP OF HERDS IN AUSTRALIA IN PARTICULAR PUTTING US UNDER HEAVY LIMITED OFFICIAL USE

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PRESSURE TO TAKE ACTION TO LIMIT IMPORTS IN 1975 UNDER MEAT IMPORT ACT. WE WERE STILL CONSIDERING TWO OPTIONS: (1) VOLUNTARY EXPORT RESTRAINTS, WHICH WAS THE TECHNIQUE UTILIZED FROM 1968 TO 1972, AND (2) IMPOSING QUOTAS UNDER MEAT IMPORT ACT. WE FELT MUCH OF PRESSURE ON US WAS A RESULT OF RESTRICTIVE ACTIONS TAKEN BY OTHERS, SUCH AS EC, JAPAN AND CANADA. THERE WAS CONSIDERABLE DISCUSSION OF EXPECTED PRICE LEVELS IN TWO MARKETS, WITH GENERAL

AGREEMENT THAT LIKELIHOOD OF CONVERGENCE OF PRICES IN TWO MARKETS UNLIKELY IN NEAR FUTURE, AND THAT EARLIEST MARKETS MIGHT MOVE CLOSER TOGETHER WOULD BE THE MIDDLE OF NEXT YEAR.

5. KATZ CONCLUDED DISCUSSIONS BY SAYING THAT IT APPEARED THAT PRICE DIFFERENTIAL LIKELY TO REMAIN, AND THAT ONLY GOVERNMENT ACTION MIGHT CHANGE THIS SITUATION. THERE WAS NO MUCH THE US SIDE COULD DO TO CHANGESITUATION, AND WE COULD NOT HAZARD GUESS AS TO LIKELIHOOD OF CANADIAN GOVERNMENT ACTION TO CHANGE SITUATION. BURNS SAID THAT CANADIAN SIDE FELT IN NEXT FEW MONTHS IT WOULD BE DESIRABLE TO EXCHANGE INFORMATION ON A REGULAR AND CONTINUOU BASIS, INCLUDING NOT JUST IMMEDIATE LIVESTOCK AND MEAT SITUATION BUT GENERAL GRAIN/FEED/LIVESTOCK SITUATION. HE ALSO SUGGESTED A FURTHER CONSULTATION SIMILAR TO THE PRESENT ONE SOMETIME BEFORE CHRISTMAS OR IMMEDIATELY AFTER THE BEGINNING OF THE NEW YEAR. KATZ REPLIED THAT US COULD ACCEPT SYSTEMATIZING INFORMATION EXCHANGE AND WAS WILLING TO MEET WHENEVER THIS WOULD BE USEFUL. THE US COULD ALSO ACCEPT IN PRINCIPLE CANADIAN PROPOSAL FOR CONTINUATION OF PRESENT CONSULTATIONS, BUT WAS NOT SURE WHEN SUCH A MEETING WAS REQUIRED.

6. WITH GENERAL DISCUSSIONS CONCLUDED, BURNS RAISED TWO SPECIAL PROBLEMS HE SAID WERE CREATED BY US QUOTA SYSTEM. F-1 BREEDING CATTLE(WHICH ARE CROSSES, NOT PUREBREDS) WERE NOT BEING ALLOWED INTO US, ALTHOUGH BREEDING CATTLE WERE INTENDED TO BE EXEMPT FROM US CATTLE QUOTAS. GOODMAN (USDA) SAID US AWARE OF THIS PROBLEM AND THAT US IMPORTERS SHOULD APPLY TO ANIMAL AND PLANT HEALTH INSPECTING SERVICE (APHIS) FOR SPECIAL PERMIT. SECONDLY, BURNS SAID CANADIAN SIDE CONCERNED THAT SINCE LIMITED LIMITED OFFICIAL USE

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US QUOTAS ON PORK AND HOGS WERE ON A FIRST-COME FIRST-SERVED BASIS, THEY MIGHT BE FILLED SHORTLY BY NON-TRADITIONAL EXPORTS. HE SAID CANADIANS WOULD LIKE TO SEE QUOTAS ALLOCATED SO THAT QUALITY TRADE IN PORK COULD BE ASSURED FAIR SHARE. IF US NOT ABLE TO ALLOCATE IMPORTS, CANADIAN SIDE WILLING TO PUT THE ITEMS UNDER EXPORT CONTROLS AND DO ALLOCATION ITSELF, BUT THIS WOULD REQUIRE AN INTER-GOVERNMENTAL AGREEMENT WITH US. KATZ SAID THAT WHILE IT WAS TECHNICALLY POSSIBLE FOR US TO ALLOCATE IMPORTS, IN GENERAL WE DID NOT FAVOR SUCH CONTROLS SINCE IT ESTABLISHED VESTED RIGHTS TO TRADE AND OFTEN RESULTED IN WINDFALL GAINS FOR INDIVIDUAL PARTICIPANTS IN TRADE. BURNS SAID CANADIAN EMBASSY IN WASHINGTON WOULD FOLLOW UP WITH FURTHER DETAILS ON PROBLEMS PORK QUOTAS CREATED FOR TRADITIONAL CANADIAN EXPORTERS. INGERSOLL

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